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ITALY

1968

PREPARED BY

THE TRADE AND INDUSTRY BRANCH

DEPARTMENT OF ECONOMICS AND DEVELOPMENT

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TORONTO, ONTARIO

*Country studies / economic
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ITALY

Revised February 26, 1968.

Prepared by:

Research Section,
Trade and Industry Branch.

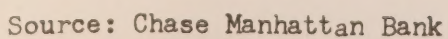


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










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INDUSTRIAL ACTIVITIES ITALY

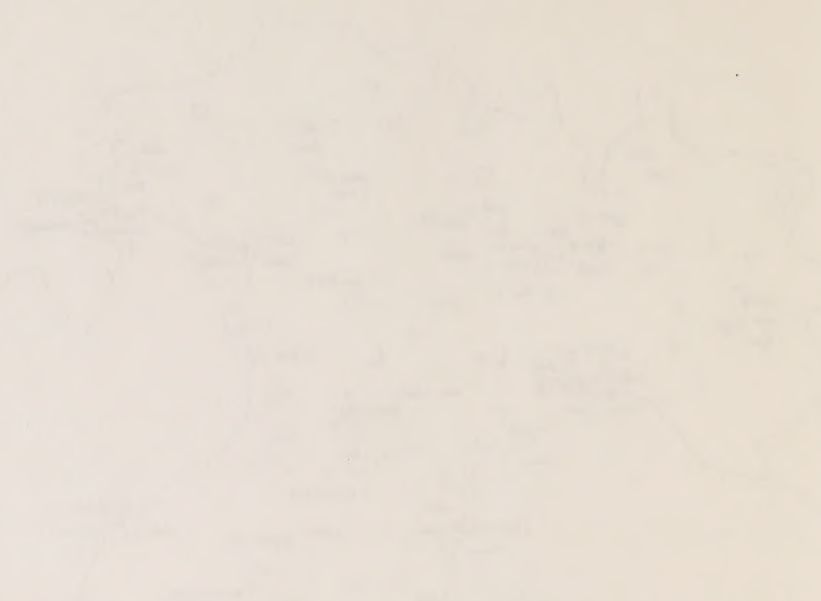
	COAL		TEXTILES
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	NATURAL GAS		SHIPYARDS
	SULPHUR		SHIPBUILDING
	MERCURY		AIRCRAFT
	BAUXITE		CHEMICALS
	IRON AND STEEL		AUTOMOBILES



Source: U.S. Department of Commerce

INDUSTRIAL ACTIVITIES 1951

1. AGRICULTURE	2. MINING
3. MANUFACTURING	4. CONSTRUCTION
5. TRANSPORTATION	6. COMMUNICATIONS
7. UTILITIES	8. OTHER
9. TOTAL	10. PERCENTAGE
11. INDEX	12. TRENDS
13. ANALYSIS	14. CONCLUSIONS
15. RECOMMENDATIONS	16. SUMMARY



INDUSTRIAL

ACTIVITIES

Source: U.S. Department of Commerce

PREFACE

Trade Outlook for 1968

1. General Situation: Favourable to Canadian exporters, but tougher competition is to be expected from French and German competitors, the British, (as a result of devaluation) and Americans.
2. Italy and the Common Market: By July 1968, international tariffs between member countries¹ of the European Economic Community will be abolished.
3. Market Opportunities (by Sector): Demand should be high for technologically advanced products, air-conditioners, food processing, chemical processing equipment and desalination equipment. Demand should remain firm for other industrial equipment, machinery and machine tools.
4. Environmental Factors: Current plant modernization, the Five Year Economic Development Plan, and anxiety over technological gap between Italy and U.S.A.
5. Special Marketing Requirements of Italian Purchasers. Export expansion efforts should include:

Service facilities, promotional material in Italian, consideration of favourable credit terms.
6. Important Note: Price quotations where possible, should take the form of c.i.f. prices (these may be quoted in U.S. dollars).
7. Present Italian Problems.
 1. The creation of more employment.
 2. The modernization of Italian agriculture.
 3. The installation of additional industry in the South.
 4. The technological gap between Italy and the U.S.A.

Note: 1 - France, Italy, Federal Republic of Germany, Belgium, Luxembourg, and the Netherlands.

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ITALY

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ITALY

1. Geography

Italy is a peninsula about 730 miles long and 150 miles wide, at its widest point. It is an area of 116,305 square miles and has borders with France, Switzerland, Austria and Yugoslavia. Italy occupies a central position in the Mediterranean, with the Tyrrhenian Sea to the west, the Ionian Sea to the south and the Adriatic to the east. Included in Italian territory are the two islands of Sicily and Sardinia.

Italian topography is generally rugged and mountainous. Whilst the Alps constitute the northern boundary, the configuration and internal geography of Italy is determined by the Appennine chain which forms the backbone of Italy.

The only large river in Italy is the Po, which flows from west to east. The best known of the small rivers, are the Arno and Tiber.

Italy may be divided into three major economic regions:

- 1) The Pasture-Power-Tourist Zone, which includes the rugged Italian Alps and the north coast on the Ligurian Sea.
- 2) The Agricultural-Industrial Core, which includes the northern Italian plain and the adjoining foothills. This constitutes the economic heartland of the country.
- 3) The Stratified-Agricultural Zone, includes the south and the islands.

The geographical position of Italy is favourable insofar as it is in

close proximity to low-cost raw materials from the Middle East and has access to inexpensive sea transport. Further economic advantages derive from short-haul rail communications with France, Switzerland, Germany, Czechoslovakia, Yugoslavia and Austria.

Italian industrial activity is prominently concentrated in the northern and central areas. The northern industrial triangle comprising the regions of Milan, Turin and Genoa, is a region of intense economic activity. Over 60% of manufacturing output and over 75% of Italian trade are derived from this area. The income and living standards in this region compare favourably with those found in West Germany, France and the United Kingdom. The greater Milan area contains 6% of the total population of Italy and has the highest per capita income in the country. To the south of Milan, on the Ligurian coast is Genoa, Italy's main seaport and one of the major ports in Europe.

The south of Italy, known as the "Mezzogiorno", from Rome southward and including Sicily and Sardinia, is a less developed area with a per capita income of only three-fifths of the national average. Recently, special attention has been given to the promotion of industry in this area. Special measures favouring industrial location in the South are: tax and credit incentives, the creation of special financing bodies, transportation incentives and government investments.

2. Climate

In Italy the climate is irregular with great regional variations. The climatic frontier between Italy and Central Europe is formed by the Appennines rather than by the Alps. The great northern plain has a

winter climate with cold winds from the Alps. Warm winds from the Mediterranean are intercepted by the Ligurian Appennines. Summers are warm. The climate in central Italy is greatly influenced by the proximity of mountain ranges.

Southern Italy has, in general, a very mild climate. The temperature in Italy, as a whole, for the last decade has averaged a low of 49°F. and a high of 65°F.

3. Population

In 1965, the Italian population totalled 51,927,000, with 171 inhabitants per square km. and is projected to reach 54.3 million by 1971 and 58.5 million by 1981. In the ten year period, 1955-1965, the natural increase in population was 0.7% on an annual average basis. The population is most highly concentrated in the industrial triangle formed by Milan, Turin and Genoa in the North-west area, and in the Rome and Naples areas. Immediately after the Second World War, the government in Italy attempted to limit the growth of population and labour force by encouraging emigration. This policy, however, offered little relief, since most foreign countries had imposed stringent immigration laws. The Government also attempted to redistribute the labour force between the North and the South.

In spite of the government's desire to restrain urban growth, the proportion of the total labour force engaged in agricultural activities decreased significantly. At the end of the Second World War, about half of Italy's work force was occupied in the agricultural sector. Today, only 25% of Italy's workers are in agriculture, as against 39%

in industry and 36% in services.

4. Constitution and Government

On June 2, 1946, a national referendum resulted in the establishment of a republican form of government. A new Constitution was approved in 1947 and became effective in January 1948. It provided for a bicameral Parliament, the institution of a president of the republic and some regional autonomy in Sicily, Sardinia, Trentino and Aosta. Legislative power belongs to the houses collectively. In the Constitution, however, there is provision for the holding of a referendum, if requested by 500,000 electors or by five regional councils.

From 1950 to 1960, Governments in Italy were formed for the most part by the Christian Democratic Party with the support of other parties. Nonetheless, the fragmentation of Italian political parties, with the consequent need for coalitions, has been largely responsible for Italian governmental instability since 1946. Since the major party, the Christian Democrats, has been generally unable to muster an absolute majority in the lower house, it has turned increasingly to the socialist parties for support. Recent Governments have been Centre-Left Coalitions, comprising Christian Democrats, Socialists, Social Democrats and Republicans, with Mr. Aldo Moro as Prime Minister.

In February 1968, the Italian Parliament approved a bill establishing the creation of fourteen semi-autonomous regions. Each region will be granted control over its police, health services, agriculture, local communications and other governmental functions. Each region will also have its own President, local Cabinet and Parliament.

5a. The Economy - General

During the Second World War, Italian industry was severely damaged.

In the early post-war period, Italy experienced an era of industrial expansion, and financial transfers from abroad, especially from the U.S.A., together with remittances from emigrants, represented important elements in the recovery of the economy.

In the last twenty years, Italy has been transformed from a predominantly agrarian country into a fast-growing urban industrial society. From 1952 to 1962, the average annual increase in industrial production was 9.2%, the highest rate achieved by any West European country. Such industrial growth was the result of important structural changes. Since Italian companies had to rebuild their plants and install new equipment, it was possible to attain productivity levels equal to those of European competitors.

Economic development was also enhanced by the discovery of important mineral resources - gas, oil and potassium.

The rapid development of the Italian economy over the past 15 years has generally been regarded as an "economic miracle". The Italian economy has recorded the highest growth rate of any of the six members of the European Economic Community.

While the South of Italy has progressed towards more tolerable living conditions, the disparity in incomes between north and south has by no means narrowed. There was a hopeful surge in 1963 and 1964, when massive investment programmes were being carried out. Most of these were executed by state holding companies which are compelled by law to

locate 60% of all their investment in the South. The program for the development of the South has been extended until 1980.

Italy still has a large supply of agricultural labour and underemployed workers in the service industries. These reserves can be used in the industrial centres after undergoing retraining. In geographical terms, industrial expansion in the north is being accompanied by the creation of new industry in the agricultural areas of the south. Thus, the attainment of full employment ranks high in the priorities of the Italian government.

1967 was a successful year for the Italian economy. The average family income¹ rose to an estimated \$2,400, 59.9% of Italian families possessed a refrigerator, in contrast with 59.5% with TV sets, 32% with a washing machine, 31% with a car and 46.3% with their own home. Italy's gross national product increased by 5.8% to \$65 billion, exhibiting the fastest growth rate of any Common Market country. During the year, employment rose 1.2%, whilst in the first ten months exports rose 8% to \$7.2 billion, in contrast to imports which increased by 12.7% to almost \$8 billion. As a result, Italy's trade deficit was practically doubled, but earnings from invisibles, such as tourism, and remittances from the 2.5 million Italians working abroad, are expected to make up the difference.

The Minister of the Budget and State Planning, Signor Giovanni Pieraccini, has stated that the government will give special attention in 1968, to the creation of more jobs, more industry for the South and further modernization of Italian agriculture.

Note: 1 - In 1964, per capita income was \$765 in Italy.

5b. The Economy - the South

Southern Italy - Basic Data

- * it is a major growth area, whose future is treated as central to the expansion of the whole Italian economy
- * it is the field for intensive investment by the Italian government and increasingly by private industry
- * generous incentives are offered to new investors, including grants and low-interest loans, equivalent to 85 per cent of investment costs and a ten-year tax holiday
- * it offers a local market of 21 million people whose incomes per head are rising by 6 per cent annually
- * it is well situated as an export base within the Common Market, at the heart of the Mediterranean basin and on the sea routes to Asia and the Far East
- * labour resources are unequalled in the EEC and will remain abundant for many years
- * there is complete freedom to apply modern production techniques and there is no union opposition to automation
- * foreign firms enjoy complete freedom of establishment and capital movement: they are treated on the same basis as domestic concerns.

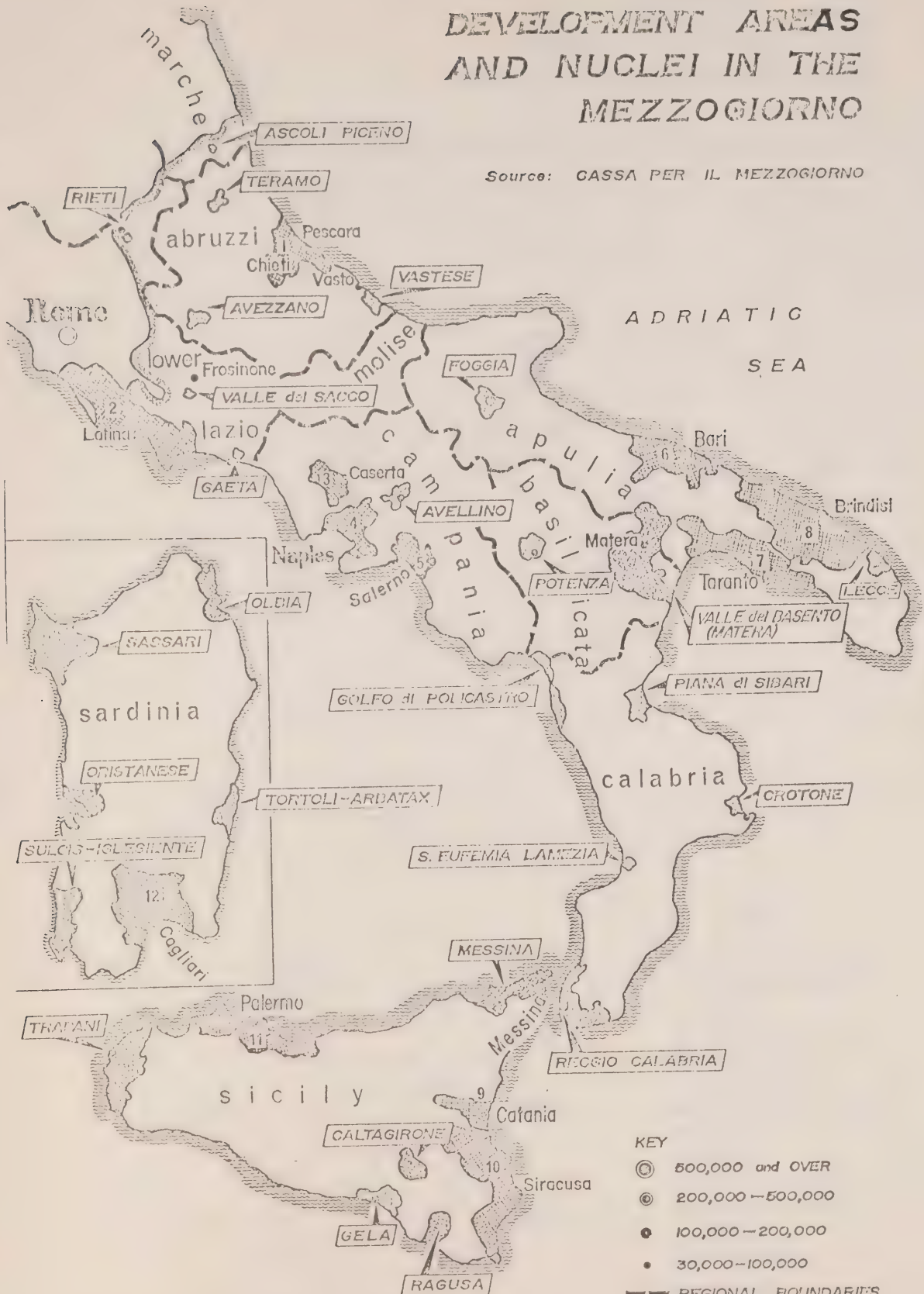
The Mezzogiorno and the Rest of Italy Compared

1 9 6 4	All Italy	North- Central	Mezzogiorno	Mezzogiorno as % of all Italy
Land area: 000 hectares	30,122	17,819	12,304	40.8
Population: 000	52,130	33,250	18,880	36.2
<u>National income:</u>				
Total: billion lire	26,768	20,938	5,830)	21.8
\$ million	42,829	33,501	9,328)	
<u>Per head:</u>				
000 lire	513	630	309)	
\$	821	1,008	494)	60.2

Source: Relazione Attivita di Coordinamento, 1965 - Vol. 2 - p.47.

INDUSTRIAL DEVELOPMENT AREAS AND NUCLEI IN THE MEZZOGIORNO

Source: CASSA PER IL MEZZOGIORNO



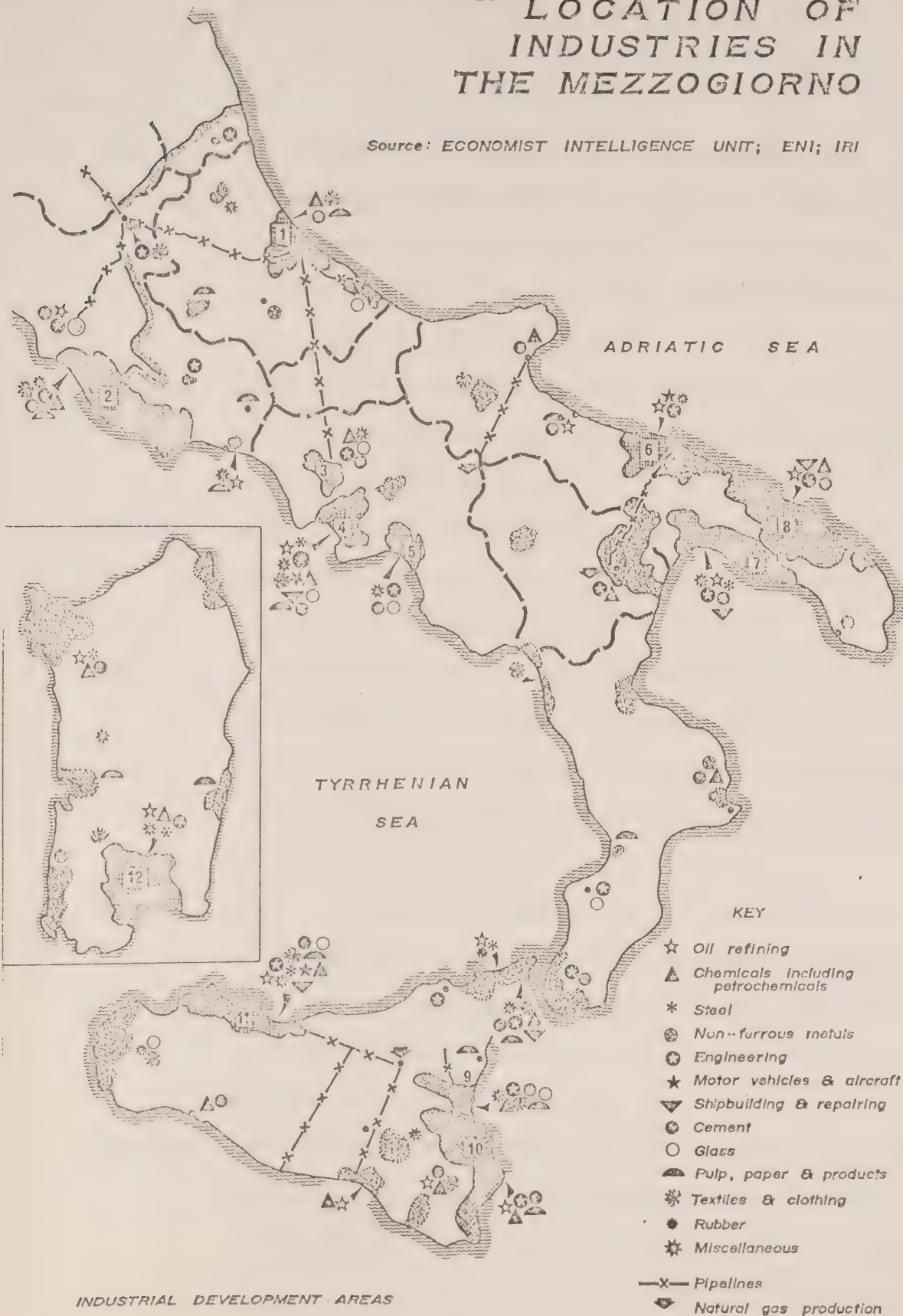
INDUSTRIAL DEVELOPMENT AREAS

- | | |
|----------------------|--------------|
| 1. VALLE del PESCARA | 7. TARANTO |
| 2. PIANURA PONTINA | 8. BRINDISI |
| 3. TERRA di LAVORO | 9. CATANIA |
| 4. NAPOLI | 10. SIRACUSA |
| 5. SALERNO | 11. PALERMO |
| 6. BARI | 12. CAGLIARI |

0 Miles 100

LOCATION OF INDUSTRIES IN THE MEZZOGIORNO

Source: ECONOMIST INTELLIGENCE UNIT; ENI; IRI



INDUSTRIAL DEVELOPMENT AREAS

- | | |
|---------------------|-------------|
| 1 VALLE del PESCARA | 7 TARANTO |
| 2 PIANURA PONTINA | 8 BRINDISI |
| 3 TERRA di LAVORO | 9 CATANIA |
| 4 NAPOLI | 10 SIRACUSA |
| 5 SALERNO | 11 PALERMO |
| 6 BARI | 12 CAGLIARI |

N.B. Locations include existing plants and projects under construction or definitely scheduled in mid-1963

0 Miles

100

Areas

- Naples: has a long commercial and industrial experience, the largest port of South Italy, a major airport, ample water, electricity, and, soon natural gas. It is the largest consumer and industrial centre and is served by motorways and railways in all directions.
- Caserta: close by Naples with its services and market, has ample water and electricity, and is served by motorways and railways in all directions.
- Salerno: again close to Naples with its services and market; has ample water and electricity. It is on the west coast motorway and railway and has port facilities.
- Bari: the commercial centre of the important Apulicin pole of development. It is the site of numerous major new industries. It has an airport and a commercial port and is the terminal of the east coast and Naples-Apulia motorways and railways. It is supplied with natural gas.
- Taranto: the most important development centre in the Apulian pole with numerous new industries including massive state investments in steel and cement. It has excellent industrial port facilities and direct road and rail links with the other Areas of the Apulian pole.
- Brindisi: a major petrochemical centre, an airport, a good industrial port and direct road and rail communications with Bari and Taranto.

Valle del
Pescara:

strategically placed on the the Adriatic coast halfway between the north Italian plain and Apulia. It is on the west coast motorways and railways and is to be linked by motorway to Rome. There is strong local entrepreneurial activity, ample water and electricity, and natural gas.

Cagliari:

the commercial and industrial centre of Sardinia with nearby metalliferous mineral resources, an airport and an industrial port; it offers exceptional investment incentives.

Catania:

has a commercial tradition and established industrial development experience. With its own commercial port (an industrial port is planned) and airport, it is also conveniently linked with all Sicilian development centres by road and rail and is to have motorway connections with Messina and Palermo. It is supplied with natural gas.

Nuclei

Gaeta:

conveniently close to Rome, has an excellent deepwater port.

Frosinone:

very close to Rome, is served by the west coast motorway and railway.

Foggia:

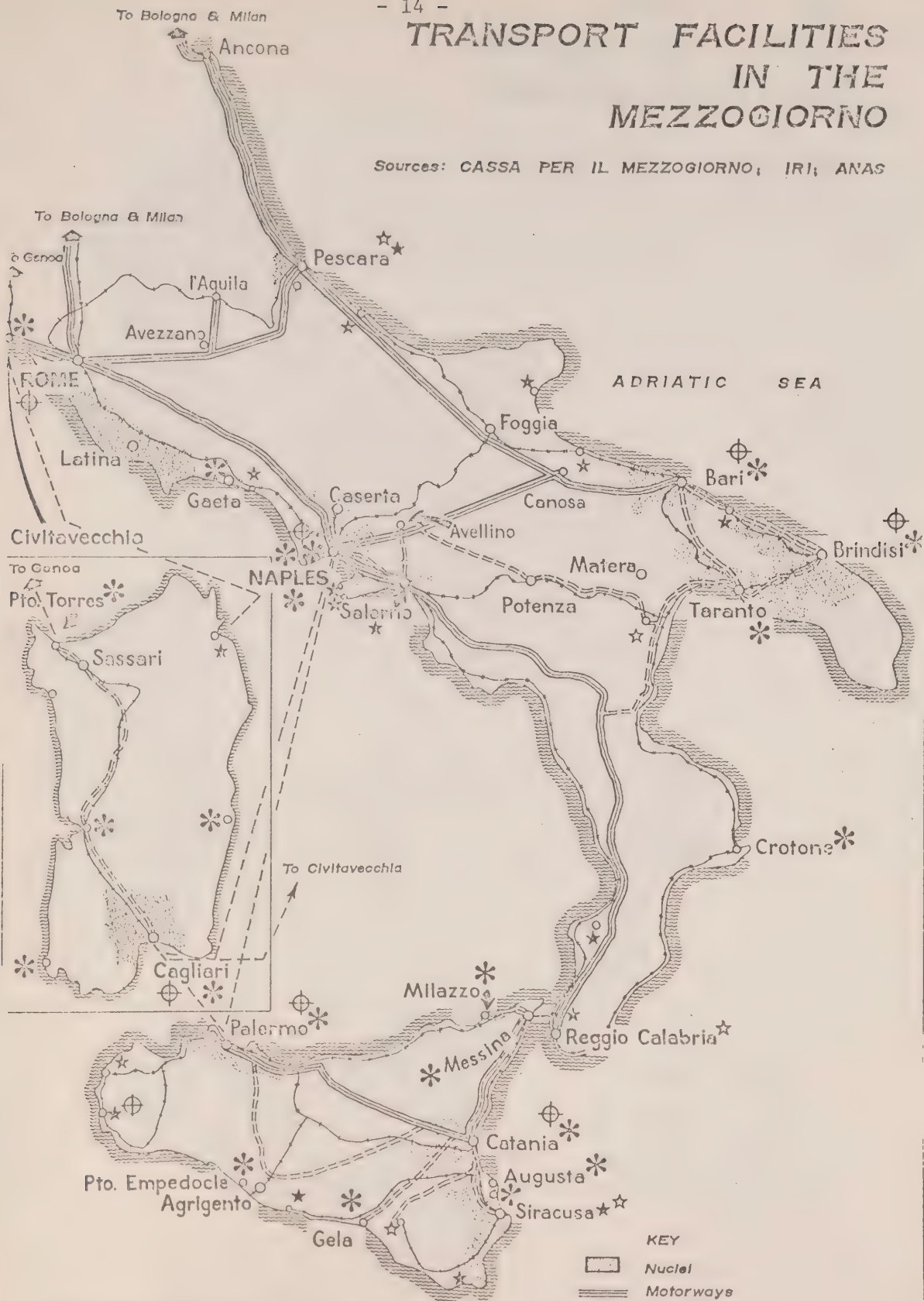
strategically placed between the Apulian pole and Naples, is a major railway junction, is served by the east coast and is close to the Naples-Apulia motorways.

Sassari: the northernmost development area of Sardinia, benefits from exceptional investment financing facilities. It has an airport and industrial port and is the nearest development nucleus to northern Italy.

Messina: the nucleus has an excellent potential port at Milazzo and is directly linked by road and rail to the commercial centre and port of Messina, as well as to Palermo. There are excellent water supplies and considerable local entrepreneurial experience.

TRANSPORT FACILITIES IN THE MEZZOGIORNO

Sources: CASSA PER IL MEZZOGIORNO, IRI, ANAS



Distances in nautical miles			
to	from	NAPLES	BRINDISI
BEIRUT		1189	1001
ALEXANDRIA		1001	825
ALGIERS		579	874
MARSEILLES		457	838
BARCELONA		555	934
LONDON		2309	2582
ROTTERDAM		2615	2919

0 Miles

- KEY**
- Motorways
 - Super highways
 - Double track railways
 - Single track railways
 - Airports
 - Airfields
 - Seaports (large)
 - Seaports (small)
 - Ferries

N.B. Includes existing facilities and projects under construction or definitely scheduled in mid-1963

DENSITY OF POPULATION IN THE MEZZOGIORNO: 1961

Sources: CENSIMENTO GENERALE DELLA
POPOLAZIONE 15 OTTOBRE 1961
CASSA PER IL MEZZOGIORNO



INDUSTRIAL DEVELOPMENT AREAS

- | | |
|---------------------|-------------|
| 1 VALLE del PESCARA | 7 TARANTO |
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| 6 BARI | 12 CAGLIARI |

* Figures refer to population and
land areas excluding population
and area of communes of
30,000 inhabitants and over

6. Agriculture

The Italian agricultural sector is varied in many aspects. There are contrasts in climatic and soil conditions as well as great differences in the size of farms and the use of modern techniques.

The near stagnation in agricultural production in the past, reflected the slow introduction of new technology. Italy was unable to adapt to the new situation created by the flight of labour from the land and, at the same time foreign competition was making itself felt both in domestic and overseas markets.

Agricultural land reforms were instituted in 1950. These resulted not only in a re-distribution of property, but also included the provision of irrigation net works, houses, livestock and agriculture machinery.

The distribution of land in 1965 was as follows, in square kilometers:

ARABLE	PASTURE	TREE CROPS	FORESTS	WASTE	BUILT-ON, WATER, ETC.
125,240	51,380	27,780	60,890	10,110	25,850

Most farmers in Italy are handicapped by tiny holdings. More than a million owners till less than one acre each, and 650,000 farmers cultivate approximately one-half acre each.

Italian agriculture has shown some noteworthy progress in recent years owing to increased use of fertilizers and mechanization.

In the agricultural sector, imports have had to fill the growing gap between national demand and domestic supplies. Fruits and vegetables, common wheat, honey and rice, are the only crops the production of which have recently met domestic needs, with a substantial quantity left over for exports.

Mechanization of Italian agriculture has recently been accelerating. At the end of 1966, roughly 461,000 tractors were in operation, up from 420,000 in 1965. Such mechanization is indispensable because each year the proportion of the labour force engaged in agriculture declines.

Italian agriculture is now faced with additional difficulties as a result of the development of the Common Market's common agricultural policy. Production costs of meat and wheat are high not only because the mountainous terrain and small holdings make highly mechanized techniques difficult to apply, but because fodder costs tend to be higher than in other E.E.C. countries.

In order to further modernization, the Italian Government has instituted a "Green Plan" which is concentrating on the consolidation of holdings and the promotion of co-operatives to develop food processing and storage.

In the period, 1961-1965, the livestock population registered only a slight increase. In fact, cattle breeding has not satisfied the increased demand for home consumption of meat and the demand by subsidiary industries based on the conversion of animal products.



The livestock population in Italy, 1962-1965 was as follows:

	CATTLE	SHEEP	GOATS	PIGS	HORSES, MULES, ASSES
1962 . .	9,827.0	8,084.0	1,327.0	4,555.0	1,226.0
1963 . .	9,189.0	7,857.0	1,278.0	4,684.0	1,103.0
1964 . .	8,649.0	7,762.0	1,236.0	5,029.0	1,049.0
1965 . .	9,225.0	7,866.0	1,228.0	5,409.0	1,029.0

Source: Europa Yearbook.

The fish catches were as follows:

	(metric tons)			
	1962	1963	1964	1965
Molluscs . .	37,891	36,918	41,955	47,153
Crustaceans .	9,304	8,312	9,726	10,621
Other Fish .	146,412	159,405	170,626	181,831

Source: Europa Yearbook.

In 1967, as a result of the improving living standards of the Italian people, the deficit in agricultural trade tended to widen and reached approximately \$1.2 billion. This deficit should increase even further in future years as Italy's urban low income groups consume more meat and fat products. Hence the 40% increase of meat imports in the first nine months of 1967. By 1971 it is estimated that imports will account for the following percentages of total domestic production: grains, 35%; meats, 30%; fats and oils, 52%; cheese, 20%.

The production of the principal crops in Italy, 1965-1966, were as follows:

	Thousands of metric tons		% change 1966-1965
	1965	1966	
Wheat.....	9,776	9,407	- 3.8
Corn.....	3,317	3,538	+ 6.7
Rice.....	509	616	+21.0
Oats.....	527	477	- 9.6
Barley.....	285	253	-11.2
Sugar beets.....	9,079	10,958	+20.7
Potatoes.....	3,550	3,860	+ 8.7
Tomatoes.....	3,177	3,469	+ 9.2
Beans.....	849	823	- 3.1
Cabbage.....	792	797	+ 0.6
Chicory, lettuce, & endive.....	750	763	+ 1.7
Cauliflower.....	693	696	+ 0.5
Artichokes.....	542	580	+ 7.0
Onions & garlic.....	524	519	- 1.4
Peas.....	239	260	+ 8.7
Olives.....	2,232	1,950	-12.6
Grapes.....	10,674	10,240	- 4.1
Apples.....	2,185	2,584	+18.3
Peaches.....	1,300	1,423	+ 9.5
Pears.....	962	1,249	+29.9
Oranges.....	997	1,190	+19.3
Melons.....	870	905	+ 4.1
Lemons.....	560	580	+ 3.6
Almonds.....	226	237	+ 4.6
Cherries.....	196	226	+15.3
Tangerines.....	177	200	+12.9
Prunes.....	137	140	+ 1.8

Source: Italian Commercial Attache Washington D.C.

7. Forestry

According to the United Nations Food and Agricultural Organization, the forestry situation in Italy in 1950 and 1960, was as follows:

		<u>1950</u>	<u>1960</u>
Forest Area	Million ha.	5.63	5.83
Growing stock	Mill. cu. metres without bark	311.0	290.0
Average net annual growth	Mill. cu. metres without bark	10.1	10.1
Felling	Mill. cu. metres without bark	14.8	9.7
Loses	Mill. cu. metres without bark	1.3	0.3
Forest removals	Mill. cu. metres without bark	13.48	8.84
Other removals	Mill. cu. metres without bark	9.24	9.75
Total removals	Mill. cu. metres without bark	22.72	18.59

The forests in Italy are predominatly broad-leaved and mostly coppice. In common with most of the forests of the Mediterranean region, the forests in Italy are at present in poor condition.

In Italy, forests represent 19 per cent of land area (1960). 20 per cent of the forests were coniferous and 80 per cent broad-leaved.

In Italy new planting is an integral part of a long-term plan designed to increase Italy's total removal by 8-10 million cu. metres a year, almost all of which would be used industrially.

8. Mining

Deficiency in minerals in Italy is a major handicap to industry.

Italy possesses only negligible resources of coal, lignite, petroleum and iron ore, and is even poorer in most other resources needed by industry. The major exceptions consist of sulphur, mined from old volcanic deposits and mercury.

Other minerals, of little more than local or regional significance, include bauxite, lead, zinc, pyrites, silver and manganese. Italy is, however, rich in building stone. Selected mining production, 1964-September 1966, was as follows:

(output in '000 of metric tons)

Commodities	1964	January-September	
		1965	1966
Metalliferous ores			
Bauxite	236.1	174.5	187.1
Antimony	0.8	0.5	0.5
Iron Ores	914.1	605.1	616.3
Management ores	47.8	36.0	33.3
Mercury-containing ores	276.2	241.0	236.7
Lead ores	52.3	40.2	43.6
Zinc ores	222.0	169.1	173.6
Non-metalliferous ores			
Boric acid	0.3	0.1	--
Asbestos	68.6	52.8	60.3
Barytes	84.7	94.4	132.6
Feldspar	108.6	66.4	103.7
Fluorspar	124.0	106.9	147.3
Graphites	1.3	0.9	0.7
Pyrites	1,396.6	1,054.3	993.6
Petroleum	2,687.0	1,757.9	1,362.7
Asphalt rock	164.8	80.0	83.8
Bituminous rock	174.6	120.7	149.3
Coal	471.5	317.7	322.6
Brown coal	1,200.6	799.8	812.3
Raw milled and melted sulphur	52.3	43.5	23.1

Source: Istituto Centrale di Statistica.

9. Industry

Italian industry has grown fast in the last twenty years and has shown success in capturing foreign markets. Today, Italy is prominent in the production of iron and steel, chemicals, engineering and automobiles and certain consumer durable goods such as refrigerators. In order to strengthen the industrial base of the nation, the Italian government is paying special attention at the present time to the needs of small and medium-sized firms by means of financial

assistance granted under an Act of Parliament.

The 1966 upsurge in industrial activity carried over into 1967 and in the latter year industrial output increased by 8% over 1966. Thus in the fourteen years since 1953, Italy's industrial output tripled.

Output increases of over 10% have been registered by the apparel, rubber machinery, engineering and car industries. Car and truck production rose to 1.5 million units and Fiat became the biggest producer of cars outside the U.S.A.

A major problem at the present time is the low level of profitability which is apparent in certain sectors. The much expanded steel industry has not maintained its profit levels and has had to cut its steel prices in order to maintain its position in world trade. Private industry expects greater competition from the government corporations, particularly from IRI and ENI which are responsible for half of Italy's industrial production and which plan to spend \$10 billion in the next five years. Many private companies have protested strongly against the government's decision to permit IRI to build near Naples, a large automobile factory to be called Alfa-Snd.

In addition, much attention is being paid at the present time to the "technological gap" between Italian and U.S. industry.

According to Mr. P.J. Dennis, director-general of the European Institute of Business Administration at Fontainebleau, France ⁽¹⁾: "If a technological gap exists between Europe and the United States it is mostly managerial in character". Europe did not appreciate how fast the techniques of marketing and manufacturing were changing and

continental countries were responding only slowly to the growth in
(1) Extract from a speech delivered to an international forum "Preparing the British manager for Europe" organized by the British Institute of Management.

their markets. In the past European industry had disseminated information in a haphazard way but organization of an effective information service need not be very expensive. Much experience was becoming obsolescent and managers were relying more and more upon their experts and specialists. American companies began operations in Europe with better organization and were often able to recruit the best young men. There was a lack of planning - particularly strategic planning - among their European competitors.

Italian industrial leaders are concerned about the inadequacy of research appropriations, and the still limited use of computers. The need for innovation, both in technology and in management techniques, is particularly urgent in 1968 as internal tariffs fall to zero within the European Economic Community on July 1st, 1968, and as a result the domestic market will then be even more exposed to the competition of German and French companies.

Major Italian industries

(a) Iron and Steel

Before the war the iron and steel industry in Italy was, in the main, privately owned. It was highly protected by customs duties, and its small production based on indigenous raw materials was used for armaments.

During the Second World War, the iron and steel plants in Italy were almost completely destroyed or shipped to Germany. After the War the industry underwent structural change. Iron ore has been imported and excessive tariff protection reduced. By 1950 this policy of liberalization had already resulted in the attainment of a production level of 3 million tons.

In 1953 came into being the common market in coal, iron and steel, (European Coal and Steel Community - ECSC) formed by Italy, France, the Federal Republic of Germany, the Netherlands, Belgium and Luxembourg. The development of the ECSC was of vital importance to the Italian economy. With greater availability of raw materials and easier access to markets for its finished products, the Italian iron and steel industry could reach an advanced stage of development. Consequently, with the help of new steel mills, Italy became in 1965, for the first time, a net exporter of steel products. In 1964, Italy was the eighth greatest producer country in the world, and its share was 2.3% of total world production.

Output of the Italian mills, 1964 - January - September 1966, was as follows:

(output in '000 of metric tons)

Commodities	1964	January- September 1965	January- September 1966
Pig-iron	3,497.8	3,907.5	4,689.1
Steel, raw	9,793.3	9,142.7	9,991.4
Rolled iron	7,617.2	7,146.4	7,500.0
Iron from scrap	124.4	67.4	58.6
Other iron and steel finished manufactures	200.5	149.1	164.6
Iron alloys and spiegel- eisen special pig-iron	126.9	104.7	114.0

Source: Istituto Centrale di Statistica.

Steel output for the first eleven months 1966, showed an increase of 7.9% over 1965. Italian steel consumption increased from 4.2 million tons in 1952 to 13.6 million tons in 1963, with an average yearly increase of over 20%.

January-September 1967 production of raw steel was 11,845,000 tons, compared with 10,016,000 tons in the same months of 1966. Output of pig iron rose from 4,691,000 tons (1966) to 5,412,000 tons in 1967. Revised production data for January-August also show significant increases for hot-rolled steel (from 6,607,000 tons in 1966 to 8,040,000 in 1967) and ferroalloys, up 11,000 tons to a total of 110,000 tons in the first eight months of 1967. The performance of the steel industry is especially impressive in view of the slump of other countries of Western Europe (U.K., Germany, France) and the low rate of expansion in the Netherlands and in Luxembourg.

(b) Chemical Industry

The important expansion of the Italian chemical industry in the post-war period, was stimulated by the greater availability of raw materials and by increased competition. Furthermore with import liberalization, the introduction of new techniques and increased investments, mass production was achieved and prices were reduced. In recent years the Italian chemical industry has not only met domestic needs but also promoted considerable exports of chemical products.

Production of selected items in Italian Chemical industries, 1964 - September 1966, was as follows:

Products	Units	1964	1965	Jan.-Sept. 1966
Synthetic Ammonia	tons	1,168,431	1,226,042	981,493
Sulphuric Acid at 50' Be	tons	4,624,479	4,743,695	3,994,351
Synthetic Organic Dyes	tons	19,361	13,927	11,920
Tanning Materials	tons	89,452	88,928	48,299
Caustic Soda	tons	641,806	725,473	557,999
Crude Oil Processes	'000 of MT	57,851	69,355	47,935
				Jan.-Aug. 1966
1st category, Ethyl Alcohol	ettanidri (1)	491,367	501,291	331,483
Methyl Alcohol	ettanidri	1,111,012	2,149,012	1,582,035

Note: (1) Hectolitres without water.

Source: Istituto Centrale di Statistica.

Important developments have taken place in the Italian petrochemical sector. The new Italian chemical giant, Montecatini-Edison, plans a 400 billion lire investment in southern Italy, with the aim of both building up industry in the south and expanding the industry's exports within the Common Market.

(c) Cement Industry

The expansion of the cement industry was favoured by the various public works programmes started after the Second World War, by the increasing availability of coal and fuel oil as a result of a more liberal import policy.

Particularly in the North, the cement industry benefited from the growing availability of natural gas at low cost.

Italian cement production, 1963 - 1965, in thousand metric tons, was as follows:

1963	1,841
1964	1,903
1965	1,686

Source: Monthly Bulletin of Statistics, United Nations.

The new Five Year Plan marks the completion of development plans for the cement industry, which now has a capacity of 4.8 million tons per year.

(d) Engineering Industry

In the period 1949-1955, a programme of modernization in the engineering industry was implemented. This programme was all the more difficult to carry out as a result of the problem of effecting a changeover from production of war materials.

Production of selected engineering industries and of selected items, 1960 - September 1966, was as follows:

Products	1964 Quantity	1965 Quantity	Jan.-Sept. 1966 Quantity
Roller-Bearings	85,740,000	85,514,000	70,067,000
Sewing Machines	539,711	477,031	439,267
Typewriters	753,826	764,536	549,767
Calculating Machines	604,345	550,175	435,234
State Railways Electric Locomotives	137	141	100
State Railways Coaches, Luggage and Freight Cars	7,208	9,475	5,209
Motor-Cars	1,028,930	1,103,932	959,462
Other Vehicles	61,556	71,639	62,630

Source: Istituto Centrale di Statistica.

(e) Automobile Industry

The exceptional customs protection which this industry enjoyed in the postwar period provided a heavy accumulation of profits used for the self-financing of a major investment programme. These investments enabled the industry to pass from a structure of high costs and limited production to one of internationally competitive costs and mass production.

In 1965, Italian output of motor vehicles was 1,176,000 or 10.6% more than the previous year, whilst the export trade absorbed 27.1% of the total production. In 1966, car and truck production reached a record 1,365,890 units, of which 393,569 were exported.

In 1966, the Italian car manufacturer, Fiat, obtained a \$900 million contract to build a passenger car factory in the Soviet Union.

Italian motor vehicle output in the first 11 months of 1967, rose 14.9% to 1,460,523 units, against 1,270,680 in the year-ago period. Included in the latest figures were 1,363,711 cars and small station wagons, versus 1,193,527 such vehicles last year, according to the car industries association.

Exports rose to 393,077 units from 364,985, including 372,913 cars and small station wagons.

(f) Shipbuilding

In the prewar period, shipbuilding was highly protected and its costs were above the international average.

In 1949, an Act provided 34 billion lire for three years for contribu-

tions to production costs and to depreciation and purchasing of ships. Furthermore, the Act granted customs facilities and tax reductions on imports of materials for shipbuilding.

In 1952, the Government initiated a programme to develop the construction of tankers and in 1954 decided to reorganize the shipyards.

Shipping and cargo tonnage in Italy, 1962 - 1964, ('000 tons), were as follows:

	1963	1964	1965
Merchant Fleet (gross register)	5,609.6	5,611.6	5,822.4
Vessels Entered (net register) .	147,855	154,319	168,653
Vessels Cleared (net register) .	147,581	154,457	167,950
Goods Loaded	34,994	40,328	50,431
Goods Unloaded	112,994	120,726	140,497

Source: Europa Yearbook.

Recently the two largest government-backed shipbuilding groups: Ansaldo in Genoa and Cantieri Riuniti Del Adriatico in Trieste, have been merged.

(g) Textile Industry

The Italian textile industry was not seriously damaged by the war. When peace came it embarked upon a process of expansion and modernization. The Italian Government made special tax concessions to the industry. Furthermore, the Government granted subsidies in order to reduce costs, promoted exports of man-made textile fibres and granted currency and credit facilities for the purchase of cotton and other raw materials.

At the present time the Italian textile industry, especially in cotton products, is in a difficult situation. On the one hand, there is strong competition from developing countries with low labour costs, and

on the other hand, competition from the more highly industrialized countries which have reached a higher level of automation.

The production of selected items of textile industry, 1962 - 1964, was as follows:

Products		1962	1963	1964
Staple Fibre	'000 metric tons	102.0	111.1	122.1
Cotton Yarn	'000 metric tons	249.2	251.4	240.1

Source: Europa Yearbook.

The production of selected man-made textile fibres in Italy, 1960 - September 1966, was as follows:

Products		1964	1965	Jan.-Sept. 1966
Rayon	quintals	912,777	853,756	641,447
Staple	quintals	1,221,273	1,013,196	706,821
Waste	quintals	60,321	47,994	35,196

Source: Istituto Centrale di Statistics.

The Italian textile industry has for some time been converting its output from mass production to quality production.

Production of man-made fibres remained stationary in the first 10 months of 1967. Output increased by 0.3% for cellulosic fibres and by 3.5% for synthetic fibres. Production (in metric tons, with 1966 in parentheses), was:

Casein wool	1,754.7	(2,838.2)	Rayon filament	75,536.1	(71,642.5)
Polyamidics	60,478.9	(60,679.8)	Rayon staple	74,298.9	(78,056.5)
Polyvinyls	2,646.3	(1,939.6)	Waste	4,141.3	(3,900.0)
Polyesters	15,593.9	(15,423.4)			
Polyacrylics	28,067.8	(26,076.2)	TOTAL cellulosic-	153,976.3	(153,599.0)
Polypropylenes	10,229.9	(7,884.3)			

TOTAL synthetic fibres- 118,771.5 (114,841.5)

GRAND TOTAL man-made fibres- 272,747.8 (268,440.5).

(h) Construction Industry

Even though the Government has endeavoured to stimulate construction with low-cost loans and public works projects, the industry's output in 1966 was only 0.3% over that of 1965. Memories of overbuilding in the past still haunt the industry and 12% of all new dwellings remain unsold.

The tight situation in the construction industry at home has motivated Italian contractors to switch to the international construction market; for example the, Italian construction industry has signed contracts for the \$170 million Rio Montaro Dam project in Peru, the \$80 million Keban Dam in Turkey and the \$50 million dam project in New Zealand.

Industrial Production Index

1953 = 100	1964	1965	1966	<u>% change</u> 1966-1965
General Index	240.2	252.0	280.2	+ 11.2
Mining	208.5	203.1	212.6	+ 4.7
Manufacturing	243.3	255.4	284.8	+ 11.5
Foodstuffs	169.2	178.5	185.7	+ 4.0
Tobacco	148.8	146.8	156.7	+ 6.7
Textiles	130.2	115.7	134.3	+ 16.1
Footwear	178.0	175.2	193.2	+ 10.3
Hides & Leather	163.9	152.6	176.0	+ 15.3
Wood & Furniture	156.9	157.9	166.2	+ 5.3
Metallurgical	270.7	349.6	374.3	+ 7.1
Mechanical	187.0	180.3	198.5	+ 10.1
Transport equipment	320.5	327.6	380.3	+ 16.1
Processing of nonmetallic minerals	300.9	227.9	290.1	+ 4.4
Chemicals	433.5	456.3	528.2	+ 15.7
Processing of petroleum & coal	408.8	493.2	569.2	+ 15.4
Paper	281.3	299.5	348.0	+ 16.2
Rubber	223.5	236.0	261.9	+ 11.0
Utilities	211.9	227.0	247.6	+ 9.1
Electricity	235.0	254.4	279.6	+ 9.9
Gas	110.9	107.1	107.3	+ 0.2

10. Electricity

An important condition for industrial expansion is an adequate power supply. Italy has only limited resources in this field, for example, the production of solid fuel is almost non-existent. The rapid expansion in the consumption of oil products has been met by importing crude oil and creating refineries and other plants for the processing of products.

Because of Italy's geographical position between the Middle East and Central Europe, oil refining capacity was expanded not only for the domestic market but also for exports.

Italian power generation in 1966 increased by 7.8% to 86.9 billion Kwh.

The greatest increase in the Italian production of power has been by nuclear power stations, which rose from 2,401.4 in 1964 to 3,910.0 million Kwh in 1965.

Energy consumption in Italy was, 1961-1965, as follows: (1)

	<u>Million Metric Tons of coal equivalent</u>	<u>In Kilogrammes per capita</u>
1961	60.95	1,221
1963	79.21	n.a.
1964	84.75	1,659
1965	105.2	

Note: (1) Consumption data are based on the apparent consumption of coal, lignite, petroleum products, natural gas, hydro and nuclear electricity.

N.A.: Not Available

SOURCE: United Nation Statistical Yearbook.

In the first 11 months of 1967, power production increased by 8.3% to a total of 85,685.4 million Kwh. Output, by type of prime mover (in millions of kwh, with 1966 in parentheses) included: hydro 39,357.6 (39,859.6); conventional steam 40,995.6 (33,359.7); volcanic steam 2,378.3 (2,403.1); nuclear reactors 2,926.9 (3,459.5). Nuclear production declined because Italy's newest and largest reactor (Trino Vercellese) is still out of commission. Domestic consumption was 87,374.7 million kwh, up 9.45% from 1966.

Electric power is the most important form of energy in Italy. There has been a decrease in water resources and a tendency to increase the production of thermoelectric plants.

ENEL (Ente Nazionale per l'Energia Elettrica) is the national electricity board responsible for providing about 70% of the electrical requirements in Italy. The Italian electricity industry was nationalized in December 1962.

11. Atomic Energy

With its hydroelectric power resources now almost exhausted, Italy has turned to the development of nuclear power.

In 1945, nuclear research, interrupted by the war, was re-established with the creation of the Centro Informazioni Studi Esperienze. In 1952, was formed a National Committee for Nuclear Research, the functions of which were extended in 1956 in order to promote the peaceful application of nuclear power. In 1959, a National Board for Nuclear Energy was established. It co-ordinates, promotes and effects studies and research and it controls industrial activities connected with atomic power. A

decisive step was taken by the law of August 11, 1960, which established a state organization for nuclear energy, the Comitato Nazionale per l'Energia Nucleare: CNEN.

Italy has three nuclear power plants in operation. Their total power is 617 MW. Construction of a fourth nuclear power station of 650-MW may be delayed by technical problems. At present, the newest and largest of the three operating plants, Trino Vercellese, is now undergoing extensive repairs.

Rich deposits of uranium are not available in Italy. Even though the country may have to depend entirely upon imports, the total cost of nuclear fuels will probably be far below that of other normal sources. It is interesting to note that the Euratom agreement specifically obliges member countries to prospect for uranium and thorium within their territories. Prospecting carried out in Italy, however, has led to the discovery of only minimal quantities of radioactive isotopes; such varied fields as medicine, industry, agriculture and biology have increased the demand for radio isotopes in Italy. In 1964, it is estimated that 60,000 curies were used. The United States is the Chief supplier of radio isotopes to Italy, providing 51% of the isotopes utilized in 1963, followed by Canada with 43% and France 2%. Italy's principal producer of radio isotopes is the Societa Ricerche Impianti Nucleari (Sorin) at Saluggia. It produced in 1964, 143,330 millicuries of radio isotopes.

Italy's planned expenditure for the peaceful uses of atomic energy for the 1965 to 1969 period is as follows:

1965	\$36.8 million
1966	49.6 "

1967	\$49.6 million
1968	52.0 "
1969	<u>52.0</u> "
TOTAL	\$240.0 million

SOURCE: Atomic Handbook.

Current and planned installed power plant capacities in Italy by type were as follows: (1)

	1963 Thousand		1968 Thousand		1973 Thousand	
	MW	kWh	MW	kWh	MW	kWh
Hydroelectric	12,800	43,400	14,700	48,300	16,200	52,400
Fossil	7,850	34,500	12,050	61,200	16,850	89,600
Nuclear	<u>350</u>	<u>1,100</u>	<u>690</u>	<u>4,500</u>	<u>3,190</u>	<u>17,500</u>
Total	21,000	79,000	27,440	114,000	36,240	159,500
Maximum Load	12,000	72,000	16,800	101,000	23,600	142,000

SOURCE: The Italian Planning Report, 1964.

New Plants to be built in Italy in the 1964 to 1973 period were as follows:

	1964-1968			1969-1973		
Hydroelectric	1,900(a)	5,000(b)	2,650(c)	1,500(a)	4,000(b)	2,650(c)
Fossil	4,200(d)	25,000	6,000	4,800(d)	28,800	6,000
Nuclear	<u>340(e)</u>	<u>2,200</u>	<u>6,500</u>	<u>2,000</u>	<u>16,200</u>	<u>6,500</u>
Total	6,400	32,400	5,000	8,300	49,000	5,452
Additional Needs	4,800	29,000	-	6,800	41,000	-

Notes: (a) Installed power in MW
 (b) Average yearly capacity in thousand kW hours
 (c) Utilization hours per year
 (d) Over 400 MW to replace obsolete plants
 (e) Includes Trino Vercellese and Garlgillano planned increase

SOURCE: Atomic Handbook.

Italy has drawn up a comprehensive plan to create a large scale nuclear industry.

12. National Accounts

The increments in the national product and expenditure in Italy, between 1964 and 1966, were as follows:

(at current prices)

	\$ millions			% change
	1964	1965	1966	1966-65
A. Gross domestic product, at factor cost	46,785	50,213	54,022	+ 7.6
Private sector	41,108	43,783	47,090	+ 7.6
Agriculture, forestry, fishery	6,315	6,711	6,760	+ 0.7
Industry	18,854	19,789	21,658	+ 9.4
Services	15,939	17,283	18,672	+ 8.0
Public administration	5,677	6,430	6,932	+ 7.8
B. Indirect taxes	6,634	7,206	7,747	+ 7.5
C. Net income from abroad	243	333	432	+ 29.8
D. Gross national product, at market prices (D+E)	52,923	56,920	61,435	+ 7.9
E. Imports of goods & services	8,469	8,696	10,083	+ 16.0

It is of interest to note that 18.9% of the gross national product is devoted to asset formation and 77.1% to public and private consumption, in contrast to Canada, 24.6% and 75.8% respectively and to Japan, 32.1% and 64.8%.

The G.N.P. in Italy at current prices, 1965, was \$56,760 million and G.N.P. per capita \$1,100. The structure of the gross domestic product at current prices, in percentages, was as follows:

Agriculture	13.4%
Mining and Quarrying, Manufacturing, Industry, Construction, Electricity and Water	39.5%
Other Activities	47.1%

Between 1955 and 1965, Italy's G.N.P. rose by 72% at constant prices and in 1966, by 7.9% at current prices. In 1967, the economy continued the strong expansion begun in 1965, with industrial production growing at an annual rate of 11%. The Gross National Product reached \$57.2 billion, an increase of 5.5% in real terms over the 1966 figure. In 1968, it is estimated that a growth rate of 5% should be attained.

13. Foreign Trade

Italy's economy is becoming increasingly dependent on Foreign Trade.

Italian foreign trade, 1964-66, in millions of dollars, was as follows:

	<u>1964</u>	<u>1965</u>	<u>1966</u>
Exports	5,958	7,120	8,032
Imports	7,253	7,378	8,571

In 1966, imports increased by 16.61% and exports by 11.35%.

Italian imports by main categories, 1964-66, in millions of dollars, were as follows:

	<u>\$ millions</u>			<u>% of total</u>		<u>% change</u>
	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1965</u>	<u>1966</u>	<u>1966-1965</u>
Foodstuffs, raw & manufactured	1,506.4	1,782.6	2,003.7	24.2	23.4	+ 12.4
Energy (crude oil, etc.)	993.9	1,138.1	1,248.8	15.4	14.6	+ 9.7
Raw materials	989.4	1,039.8	1,195.5	14.1	14.0	+ 15.0
Semifinished goods	1,733.3	1,668.2	2,119.5	22.6	24.8	+ 27.1
Finished goods for investment and production	1,245.9	1,005.4	1,149.1	13.6	13.4	+ 14.3
Finished products for consumption	783.5	744.2	838.7	10.1	9.8	+ 13.0
TOTAL IMPORTS-	7,252.5	7,378.3	8,571.3	100.0	100.0	+ 16.2

Source: Commercial office of the Italian Embassy, Washington.

In 1966, imports of industrial semifinished and finished goods showed a marked increase, particularly so in the semifinished category. Among agricultural imports, feedgrains, meat and meat extracts, fats and oils, led the list of deficit items. In 1966, cost of feedgrain imports was \$573 million. Similarly, the high level of imports of meat and meat extracts led to Italy's retaining its rank as the world's third most important beef purchaser, surpassed only by the U.S.A. and the United Kingdom.

Although imports of raw materials expanded at a high rate in 1966, the increase was considerably less than that registered for semifinished goods.

In regard to energy requirements, imports of crude petroleum increased by 11.1%, whilst imports of coal dropped by 2.3%.

Imports of finished goods for investment and production increased by 14.3%, as against imports of finished products for consumption which rose 13%.

Italian imports, 1964-1966, by selected countries, are shown in the following table:

	\$ millions			% of total		% change 1966-65
	1964	1965	1966	1965	1966	
Industrialized countries	4,827.1	4,654.2	5,417.4	63.1	63.2	+ 16.4
Developing countries	2,016.9	2,224.5	2,561.8	30.1	29.9	+ 15.2
Communist countries	395.4	479.5	570.5	6.5	6.6	+ 19.0
Not specified	13.1	20.1	21.6	0.3	0.3	+ 8.0
TOTAL IMPORTS-	7,252.5	7,378.3	8,571.3	100.0	100.0	+ 16.2
Europe	4,087.9	3,995.4	4,726.5	54.1	55.1	+ 18.3
Americas	1,604.6	1,646.7	1,858.9	22.3	21.7	+ 12.9
Asia	885.7	1,027.4	1,130.2	13.9	13.2	+ 10.0
Africa	491.6	543.3	655.5	7.4	7.6	+ 20.6
Australia & Oceania	169.5	145.4	178.6	2.0	2.1	+ 22.8
Not specified	13.1	20.1	21.6	0.3	0.3	+ 8.0
EEC	2,368.7	2,306.0	2,787.2	31.2	32.5	+ 20.9
West Germany	1,181.5	1,090.3	1,370.6	14.8	16.0	+ 25.7
France	714.4	722.5	866.9	9.8	10.1	+ 20.0
Netherlands	261.9	285.4	319.8	3.8	3.7	+ 12.0
Belgium & Luxembourg	210.9	207.8	229.9	2.8	2.7	+ 10.6
EFTA	1,034.9	948.0	1,078.7	12.8	12.6	+ 13.8
United Kingdom	397.0	342.0	401.9	4.6	4.7	+ 17.5
Switzerland	184.0	171.4	199.1	2.3	2.3	+ 16.2
Austria	169.3	162.3	170.1	2.2	2.0	+ 4.8
Sweden, Denmark, Norway & Portugal	284.6	272.3	307.5	3.7	3.6	+ 12.9
U.S.A.	985.2	993.5	1,049.1	13.5	12.2	+ 5.6
Kuwait	296.9	365.9	329.0	5.0	3.8	- 10.1
Argentina	267.1	279.3	304.0	3.8	3.5	+ 8.8

Italian exports by main categories, 1964-1966, in millions of dollars,
were as follows:

	\$ millions			% of total		% change 1966-65
	1964	1965	1966	1965	1966	
Foodstuffs	726.9	871.5	882.4	12.1	11.0	+ 1.2
Industrial goods	5,231.5	6,328.1	7,149.5	87.9	89.0	+ 13.0
Textiles, apparel & furnishings	1,244.5	1,375.5	1,547.2	19.1	19.3	+ 12.5
Leather & hides	63.7	67.4	85.9	0.9	1.1	+ 27.6
Wood & paper	110.9	151.4	179.5	2.1	2.2	+ 18.6
Mineral & metallurgical products	344.3	509.4	469.1	7.1	5.8	- 7.9
Products of the mechanical industries	2,094.7	2,507.2	2,977.6	34.9	37.1	+ 18.8
Chemicals	520.6	633.9	694.9	8.8	8.7	+ 9.6
Rubber	126.2	123.5	124.6	1.7	1.5	+ 0.9
Energy (petroleum products, etc)	276.8	374.2	439.7	5.2	5.5	+ 17.5
Nonmetallic minerals	172.5	223.0	258.9	3.1	3.2	+ 16.1
Other	277.3	362.6	372.1	5.1	4.6	+ 2.6
TOTAL EXPORTS-	5,958.4	7,199.6	8,031.9	100.0	100.0	+ 11.6

Source: Istituto Centrale Statistico.

With regard to exports, the biggest share is held by machinery and products of the mechanical industries, followed by textile products. In regard to percentage increases, 1965 - 1966, first place goes also to the mechanical industries, followed by wood and paper products and nonmetallic minerals.

In regard to imports by Italy, other European countries rank as the major sources of supply, with 55.1% of the total requirements in 1966. Within

Europe the greatest share of Italian imports is accounted for by EEC countries, with 32.5%. Communist countries supply only 6.6% of Italy's total import needs, an increase in volume of 19.0% over 1965. This market share is still small, however, in relation to the 63.2% market share of the western countries, which is an increase of 16.4% in 1966 over 1965.

Italian exports, 1964-1966, by selected countries, and Italy's market share, were as follows:

EXPORTS	\$ millions			% of total		% change 1966-65
	1964	1965	1966	1965	1966	
Industrialized countries	4,135.9	5,022.3	5,621.5	69.7	69.9	+ 11.9
Developing countries	1,414.5	1,676.1	1,856.2	23.3	23.1	+ 10.7
Communist countries	296.0	386.8	420.2	5.4	5.3	+ 8.6
Not specified	112.0	114.3	134.0	1.6	1.7	+ 17.2
TOTAL EXPORTS-	5,958.4	7,199.6	8,031.9	100.0	100.0	+ 11.6
Europe	4,097.8	4,988.0	5,557.9	69.3	69.2	+ 11.4
Americas	898.7	1,019.3	1,156.3	14.2	14.4	+ 13.4
Asia	414.3	508.2	605.5	7.0	7.5	+ 19.2
Africa	376.9	507.7	509.3	7.0	6.3	+ 0.3
Australia & Oceania	58.8	62.1	68.9	0.9	0.9	+ 10.9
Not specified	112.0	114.3	134.0	1.6	1.7	+ 17.2
EEC	2,264.0	2,892.8	3,261.7	40.2	40.6	+ 12.8
West Germany	1,131.5	1,525.2	1,611.1	21.2	20.1	+ 5.6
France	650.4	742.2	931.7	10.3	11.6	+ 25.5
Belgium & Luxembourg	234.6	284.0	338.3	4.0	4.2	+ 19.2
Netherlands	247.5	341.4	380.6	4.7	4.7	+ 11.5
EFTA	1,090.6	1,199.3	1,296.7	16.7	16.1	+ 8.1
Switzerland	363.9	390.2	403.1	5.4	5.0	+ 3.3
United Kingdom	332.5	337.0	382.3	4.7	4.8	+ 13.5
Austria	140.4	166.1	175.5	2.3	2.2	+ 5.7
Sweden, Denmark, Portugal & Norway	253.7	306.0	335.7	4.3	4.1	+ 9.7
U.S.A.	507.1	618.7	743.8	8.6	9.3	+ 20.2
Spain	118.8	178.7	202.0	2.5	2.5	+ 13.1
Yugoslavia	172.1	144.2	177.6	2.0	2.2	+ 23.2

Source: Instituto Centrale Statistics.

The marked expansion in Italian foreign trade in the last decade was due mainly to increased productivity in the economy, particularly in the industrial sector, and also to aggressive export marketing. A further important factor has been Italian membership in the EEC, which accelerated specialization in production.

A law introducing increased state assistance for Italian exporters came into force in April 1967. This law included State assistance for insurance of ordinary commercial risks in the export of goods and services.

In 1967, Italy's foreign trade continued to expand rapidly. Imports reached a level of \$9.6 billion and exports \$8.8 billion, a deficit of \$-.8 billion. For 1968, imports are forecast at \$10.7 billion and exports at \$9.3 billion, increasing the deficit to \$1.4 billion. The biggest increases in imports in 1967 over 1966 are not to be found in consumer goods, with the exception of food products, but rather in steel products, machine tools, heavy industrial equipment, chemicals, fuels and nonferrous metals. The biggest export increase is to be found in automobiles, domestic appliances, synthetic fibres, machinery and apparel.

By geographical areas, the most significant expansion was in imports from the Common Market countries (+24%) and from other European countries, together with the Soviet Union, also an increase of 24%. Imports from the rest of the world showed little change apart from significant declines in imports from the United States and Japan of 4% and 11%, respectively.

14. Canadian Trade with Italy

Trade between Canada and Italy is governed by the GATT convention and each country grants most favoured treatment to the other.

In 1967, trade between Italy and Canada increased significantly. Italian exports to Canada rose from \$87 million in 1966, to over \$100 million in 1967. Canadian exports rose from \$115 million to \$122 million.

Italy is an important market for a wide range of Canadian products. In 1966, Italy was in 5th place among the European countries to which our goods were shipped. Italy occupied fourth place in 1966, among European countries exporting to Canada. Our trade with Italy is constantly increasing and becoming more varied.

Most of Canada's exports to Italy are primary products but exports include a significant volume of processed or manufactured goods. Our principal exports to Italy are agricultural goods, metals including nickel, iron, copper and aluminum; wood pulp and asbestos are significant in our sales. Barley, wheat and rape seed are normally the most important items in our export to Italy, after wood pulp, but this varies with the level of Italian production.

The Canadian share of the total Italian imports in percentage terms, 1963-1966, was as follows:

1963	1.12% of total
1964	0.94% of total
1965	1.24% of total
1966	1.47% of total

On the other hand, Canada purchases a wide variety of products from Italy which include office equipment, prefabricated structures, boots and shoes, suits and dresses, and agricultural products. Various typical Italian food products have found a market in Canada and Italian handi-

craft articles are becoming increasingly popular.

The Canadian share in percentage of Italian total exports, 1963-1966, was as follows:

1963	0.98%
1964	1.00%
1965	1.01%
1966	1.04%

Italy now represents a growing market for Canadian goods, assuming that the latter are marketed competitively. Italy's increasing level of output and rising standard of living makes for a bright picture as regards Italian-Canadian trade opportunities. Although Italy has been in the past mainly a market for Canadian bulk foodstuffs and raw materials, recent years have seen growth in the imports of precision instruments, electronic devices, aircraft components and other manufactured goods, such as household products, toys and games, hand tools, sporting goods and heating and air conditioning equipment.

Marketing studies have indicated that the Italian market has good sales potential for car maintenance equipment, machine tools, production equipment for the electronic industry, medical and dental equipment, catering and food processing equipment, industrial fasteners, industrial process controls, packaging machinery, data processing equipment, boating, photography, housewares, metal finishing equipment, laboratory equipment and chemical processing equipment.

Other Canadian products in which Italian importers are interested are: chemicals, metals, asbestos, special machinery, lumber, wood pulp, feed

grains, oil seeds, some kinds of fish, skimmed milk powder for animal feed. With flourishing supermarkets springing up in various cities in Italy are appearing new export possibilities. In Italy there has recently been a demand for the cheaper, quickly built types of construction, such as prefabricated houses. Canadian breeding-cattle have good possibilities in the Italian market. At the 69th International Agricultural Fair in Verona, held in March 1967, the Holstein-Friesian Association of America, contracted immediate sales of cattle to the amount of \$288,000.

Italian industry plans to spend abroad 9 billion lire over the 1967-1969 period, for new plants and equipment, with resultant possibilities for exports of advanced Canadian machinery and equipment to Italy.

It is estimated that by 1975, Italy will be importing yearly, over 3.5 million metric tons of such agricultural products as corn, barley, rye and oats, although domestic production will be up.

"Invisibles" play a substantial role in Italy's earnings of Canadian dollars. Major sources of Italian invisible earnings are shipping, the growing number of Canadian tourists in Italy, and the more rapidly increasing flow of immigrants' remittances from Canada to dependents in Italy.

Italy's imports from all countries and from Canada, total and percentage of total:

(thousand U.S. dollars)

SITC No.	Item	1964			1965			1966		
		Total '000 U.S.\$		Canada's Percent- age of Total	Total '000 U.S.\$		Canada's Percent- age of Total	Total '000 U.S.\$		Canada's Percent- age of Total
		From World	From Canada		From World	From Canada		From World	From Canada	
0	Food and live animals	1,303,404	9,826	0.75	1,571,002	25,089	1.60	1,718,642	38,835	2.26
1	Beverages and tobacco	51,617	114	0.22	39,598	--	--	47,794	135	.03
2	Crude materials excl. fuels	1,485,952	33,224	2.24	1,565,829	39,945	2.55	1,844,758	56,629	3.07
3	Mineral fuels, etc.	1,017,786	--	--	1,155,703	--	--	1,269,896	--	--
4	Animal, vegetable oil, fat	72,019	236	0.33	72,099	435	.60	100,305	407	.41
5	Chemicals	461,089	2,057	0.45	481,943	1,939	.40	578,033	2,118	.37
6	Basic manufactures	1,170,284	15,015	1.28	1,077,919	16,439	1.53	1,410,718	20,522	1.45
7	Machines, transport equipment	1,353,854	6,477	0.48	1,091,523	5,051	0.46	1,272,669	5,402	.42
8	Misc. manufactured goods	271,802	684	0.25	254,392	2,332	0.92	304,284	2,287	.75
9	Goods not classified by kind	43,493	212	0.49	37,249	--	--	24,212	--	--
	TOTAL-	7,231,300	67,845	0.94	7,347,257	91,230	1.24	8,571,311	126,335	1.47

Note: -- Not applicable.

Source: United Nations, Commodity Trade Statistics, 1964 - 1966.

CANADIAN IMPORTS OF SELECTED COMMODITIES FROM ITALY

1965 - 1966

<u>Commodities</u>	<u>1965</u>	<u>1966</u>
	<u>\$000's</u>	<u>\$000's</u>
Cheese, n.e.s.	2,467	1,753
Cherries in liquid, preserved, not canned	1,311	1,231
Tomato paste, canned	803	1,307
Vermouth	-	1,516
Rayon mixture, broadwoven fabric, n.e.s.	1,354	1,217
Vinyl chloride resins	1,054	687
Fuel oil, n.e.s.(heavy oil)	-	1,522
Plastics industry machinery and parts	577	832
Tractors and parts, attachments, n.e.s.	1,364	1,687
Closed sedans, new	1,135	1,928
Adding machines and parts	1,936	1,542
Calculating machines and parts	1,407	4,243
Suits and dresses, knitted	1,953	2,515
Sweaters, cardigans, wool knit, men's & boys'	771	839
Sweaters, cardigans, wool knit, women's & girls'	1,602	1,632
Gloves and mittens, leather	990	934
Boots and shoes, men's, boys', last-made	1,661	1,660
Boots and shoes, women's, girls', last-made	2,449	3,018
Prefabricated structures and parts, n.e.s.	1,065	4,755
	<hr/>	<hr/>
TOTAL-	23,899	34,818
	<hr/>	<hr/>
TOTAL CANADIAN IMPORTS FROM ITALY-	80,279	86,718

Source: D.B.S. Trade of Canada.

Italy's exports to all countries and to Canada, total and percentage of total:

(thousand U.S. dollars)

SITC No.	Item	1964			1965			1966		
		Total		Canada's Percent- age of Total	Total		Canada's Percent- age of Total	Total		Canada's Percent- age of Total
		'000 U.S.\$	To World		'000 U.S.\$	To World		'000 U.S.\$	To World	
0	Food and live animals	627,655	6,219	0.99	765,884	6,284	0.82	770,474	6,931	0.90
1	Beverages and tobacco	77,465	1,757	2.27	83,764	1,890	2.26	91,569	2,533	2.77
2	Crude materials, excl. fuels	226,117	1,713	0.76	237,004	1,302	0.55	225,610	1,598	.71
3	Mineral fuels, etc.	300,877	511	0.17	392,183	108	0.03	470,196	1,819	.38
4	Animal, vegetable oil, fat	14,746	339	2.30	13,909	261	1.88	15,199	408	2.68
5	Chemicals	489,172	2,886	0.59	604,555	2,591	0.43	656,742	3,038	.46
6	Basic manufactures	1,363,062	17,663	1.30	1,719,435	24,557	1.43	1,833,787	24,860	1.36
7	Machines, transport equipment	1,846,245	10,212	0.55	2,177,379	17,281	0.79	2,571,980	20,733	.81
8	Misc. manufactured goods	962,638	17,902	1.86	1,106,797	17,856	1.61	1,349,710	21,426	1.59
9	Goods not classified by kind	48,318	210	0.43	87,129	168	0.19	46,639	175	.38
	TOTAL-	5,956,295	59,412	1.00	7,188,039	72,298	1.01	8,032,906	83,521	1.04

Source: United Nations, Commodity Trade Statistics, 1964 - 1966.

CANADIAN EXPORTS OF SELECTED COMMODITIES TO ITALY

1965, 1966 & January-June 1966 & 1967

Commodities	1965	1966	Jan.-June 1966	Jan.-June 1967
	\$000's	\$000's	\$000's	\$000's
Cattle, dairy, purebred	-	1,719	884	952
Milk powder, skim milk	1,575	1,070	492	923
Barley	7,282	12,792	7,948	10,329
Wheat	11,204	16,439	4,924	3,991
Rapeseed	5,737	6,390	6,390	10,051
Iron ore, direct shipping grade	436	5,296	1,485	1,426
Iron ore, agglomerated	2,730	5,175	3,787	3,753
Aluminum and aluminum alloy, scrap	4,424	4,869	2,241	2,971
Nickel in oxide	743	1,713	641	1,262
Asbestos milled fibres	1,483	2,089	453	1,114
Lumber, Douglas fir	1,100	2,230	1,509	1,761
Wood pulp bleached, sulphate paper grades	3,401	5,548	2,489	4,203
Wood pulp, sulphate, semi-bleached	678	2,069	832	1,757
Wood pulp, sulphite, unbleached, strong	1,976	1,768	659	1,167
Liner board	1,610	3,327	1,343	1,228
Plastic & synthetic rubber, not shaped, n.e.s.	1,451	1,826	789	1,234
Aluminum pigs, ingots, shot, slabs, etc.	6,206	4,078	2,120	2,447
Zinc blocks, pigs and slabs	1,477	1,092	597	895
Navigation instruments, apparatus & parts	3,139	5,652	2,852	1,180
TOTAL-	56,652	85,142	42,435	52,644
TOTAL CANADIAN EXPORTS TO ITALY-	93,222	114,787	54,872	67,931

Source: D.B.S. Trade of Canada.

15. Balance of Trade

Italian exports and imports and the balance of trade, 1965-1967, in million of U.S. dollars were as follows:

<u>Year</u>	<u>Imports c.i.f.</u>	<u>Exports f.o.b.</u>	<u>Balance</u>
1965	7,380	7,200	-180
1966	8,568	8,028	-540
1967	9,693	8,704	-989

In recent years, Italy has had a constant foreign trade deficit. The Italian Government has initiated measures to increase agricultural production, limit internal consumption of durable goods and promote Italian exports. Tourist receipts and other invisible earnings, however, more than offset the merchandise deficit.

In 1967, the excess of imports over exports was \$989 million, compared with \$550 million in 1966. Imports rose by 12.9% to a total of \$9,693 million. Exports were \$8,704 million, up 8.3% from 1966. Preliminary forecasts for 1968 place exports at \$9,440 million and imports at \$10,056 million. The 10% increase in imports and the 8% rise in exports would result in a trade deficit of about \$1,120 million.

16. Balance of Payments

The Italian balance of payments, from 1965-1966, was as follows:

\$ millions	Credit		Debit		Balance	
	1965	1966	1965	1966	1965	1966
A. Current accounts	10,074.1	11,480.0	8,438.1	10,033.3	1,636.0	1,386.7
Exports (FOB), imports (CIF)...	6,655.5	7,601.8	7,129.9	8,598.9	- 474.4	- 997.2
Freight & transport.....	361.8	410.3	—	—	361.8	410.3
Foreign travel.....	1,288.1	1,460.3	226.5	260.9	1,061.6	1,199.4
Remittances from emigrants....	674.8	729.8	—	—	674.8	729.8
Income on investments.....	198.4	275.3	286.9	315.2	- 88.5	- 39.9
Pensions, royalties, donations, insurance, etc.....	826.1	937.0	763.6	894.9	62.5	42.1
Other.....	—	—	31.2	23.4	- 31.2	- 23.4
Government transactions.....	69.5	65.5	—	—	69.5	65.5
B. Capital movements	1,368.9	1,842.9	1,410.7	2,533.9	- 41.8	- 691.1
Private.....	1,183.3	1,768.8	1,286.8	2,390.1	- 103.5	- 621.3
Public.....	185.6	74.0	123.9	143.8	61.7	- 69.8
C. Total balance (A+B)					1,594.2	695.6
D. Monetary movements	8.3	164.8	1,602.5	860.4	-1,594.2	- 695.6
Credit institutions.....	—	—	634.5	407.8	- 634.5	- 407.8
Gold & convertible currencies...	—	164.8	188.6	—	- 188.6	164.8
Net IMF position.....	—	—	337.8	85.5	- 337.8	- 85.5
Other reserves.....	—	—	289.8	165.1	- 289.8	- 165.1
Short term liabilities abroad....	8.3	—	—	29.4	8.3	29.4
Medium & long term assets.....	—	—	151.7	172.6	- 151.7	- 172.6

Source: Istituto centrale statistico.

Italian official gold and foreign exchange reserves, 1965-1967, were as follows:

1965	4,415 million of U.S. dollars
1966	4,566 million of U.S. dollars
1967	5,237 million of U.S. dollars

At the end of 1967, Italian official reserves were 3,273 billion lire (\$5,237 million), up 350 billion (\$560 million) in one year. Reserves included 1,500 billion lire (\$2,400 million) in gold. Official reserves do not include medium and long-term assets (534.7 billion lire or \$855.5 million) and net assets of commercial banks (19.5 billion or \$31.2 million at the end of November). Thus, total reserves are in excess of 3,800 billion (\$6,080 million) or the equivalent of about 7 months of imports.

17. The National Plan and Trade Policy

The first Italian Economic Plan, originally developed in 1964 and designed to run for the five years, 1965-1969, had to be postponed owing to political difficulties, and now covers the period 1966-1970. Its basic objective is to achieve an annual growth of at least 5% in national income in order to achieve full employment by 1970. New jobs are to be found in industry for 1 1/2 million people, primarily for those leaving the land. Industrial production is scheduled to rise by 7% per annum, agriculture by 2.85%, services by 4.15%, construction by 2.7% and government services by 3.65%.

Immediately after the Second World War, most imports into Italy needed a licence, with payment being carried out according to payment agreements or in convertible currencies. In 1950 a policy of liberalization of imports was embarked upon.

Today, except for raw materials, nearly all of which are admitted duty free, imports of most industrial products from the countries outside of EEC are dutiable at rates ranging from 4% to 20% ad valorem. There is also an equalization import tax, commensurate with the sales tax paid during the manufacturing process of similar items made in Italy, and various other customs charges.

17a. Foreign Investment

In the past 10 years, foreign investment has been flowing into Italy at a steadily rising pace. The Italian Government looks favourably on foreign investment and affords special guarantees for the repatriation of foreign capital and profits.

Investment of foreign capital in Italy from 1956 to 1965, by economic sectors was as follows:

	<u>\$ Millions</u>
	1966
Petroleum & mining	16.5
Chemical & pharmaceutical	7.9
Mechanical & electromechanical	17.6
Metallurgical	16.5
Hotels & tourism	9.2
Foodstuffs	1.4
Rubber	1.9
Paper	1.2
Construction	6.5
Textiles & clothing	5.0
Shipbuilding	-
Glass	-
Agriculture	-
Construction materials	2.6
Wood	-
Other industries	4.7
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Total	91.1
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The Canadian share of total Italian investment in 1965 was 0.97%

In the first eleven months of 1967, some \$32.6 million of foreign capital was invested in Italian industrial ventures as against \$91.1 million invested in the corresponding 1966 period.

Of this, \$10.5 million was invested in the oil sector, \$3.98 million in chemicals and pharmaceuticals, and \$14.8 million in engineering.

Investments came principally from Switzerland and the United States, followed by West Germany and France.

The distribution of investment of foreign capital in Italy, from 1956 to 1966 by country of origin was as follows:

	1966	\$ Millions 1956-1966
United States	59.9	322.3
United Kingdom	4.4	139.5
Switzerland	13.1	124.7
West Germany	0.4	118.6
France	2.8	27.6
Netherlands	0.4	23.1
Panama	0.9	18.6
Belgium	2.7	9.6
Venezuela	1.0	7.1
Canada	0.7	7.8
Japan	-	2.0
Austria	-	0.4
Other countries	4.9	17.7
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Total	91.1	820.0
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In regard to the investments by regions of Italy, those areas that benefitted chiefly were Lombardy, Piedmont, Venezia Giulia, Latium, Sicily, Campania and Tuscany.

The economic sectors that have reaped the greatest benefits from foreign investments are: oil and mining, chemicals including pharmaceuticals, mechanical and electromechanical, and the tourist industry.

As to countries of origin, most of the investment came from the United States, followed by Great Britain, West Germany and Switzerland.

17b. Licensing

A serious drawback to licensing opportunities in Italy, is the fact that transfers of trademarks, patents, blueprints, etc. are not considered investment and are not covered by Law No. 43, which guarantees repatriation of capital and earnings of foreign investors.

A company wishing to assign its patent or patents should apply to a patent agency or an attorney operating in Italy. The duration of assignment should not exceed the 15 year period established for the protection of Italian patents. Registration with the Italian Patent Office represents the legal title, not only for protection of the patent, but also for transfer of royalties accruing therefrom.

Italian Retailing

Italy is moving towards:

- 1.) Increasing numbers of and larger retailing units.
- 2.) More new and diversified retail outlets.
- 3.) Widespread acceptance of supermarkets and variety stores.
- 4.) A gradual increase in the number of department stores and mail order houses.
- 5.) Increased importance of voluntary chains and retail groups.
- 6.) A gradual abandoning of the "street-corner-shop".
- 7.) A slowdown in the rate of increase in the number of specialised "food shops".

THE LARGEST ITALIAN COMPANIES RANKED BY SALES

RANK '66	COMPANY	HEADQUARTERS	INDUSTRY	SALES (\$000)	ASSETS (\$000)	NET PROFIT (\$000)	INVESTED CAPITAL (\$000)	EMPLOYEES
1	Montecatini Edison	Italy	Chemicals, synthetic fibres	1,998,400	4,194,720	80,640	1,772,320	118,906
2	Fiat	Italy	Autos, tractors, aircraft, engines	1,678,710	1,400,915	40,544	494,589	134,592
3	ENI (Ente Nazionale Idrocarburi)	Italy	Petroleum prod., eng., textiles, machinery	1,099,040	2,745,440	2,400	232,960	54,601
4	FINSIDER (Societa Finanziaria Siderurgica)	Italy	Iron and steel	1,094,794	3,576,123	23,646	861,611	76,432
5	Pirelli	Italy	Rubber products, wires, cables	847,500	910,730	23,571	N.A.	67,009
6	Olivetti	Italy	Office equip.	505,145	302,626	10,586	104,277	52,892
7	Snia Viscosa	Italy	Synthetic fibres, textiles	312,160	512,000	11,200	155,643	28,000

18. Conclusion

Italy's present economic troubles are not unusual for a country that has been industrializing fast. The boost given to consumption has temporarily outrun the capacity for increased production and the gap has been filled by a massive increase in imports.

In spite of Italian efforts to promote its agricultural production it seems clear that Italy will be dependent on imports of certain agricultural products. To finance these imports, Italy must augment its exports in all sectors.

One of the principal objectives of Italian economic policy is to promote an increase in productivity with a view to giving the domestic labour force durable prospects of high employment.

The prospect of increased competition by the other EEC countries is engendering plant modernization and expansion in Italy with a resultant increase in output per man-hour.

